Seasonal time series

ARIMA MODELS IN PYTHON

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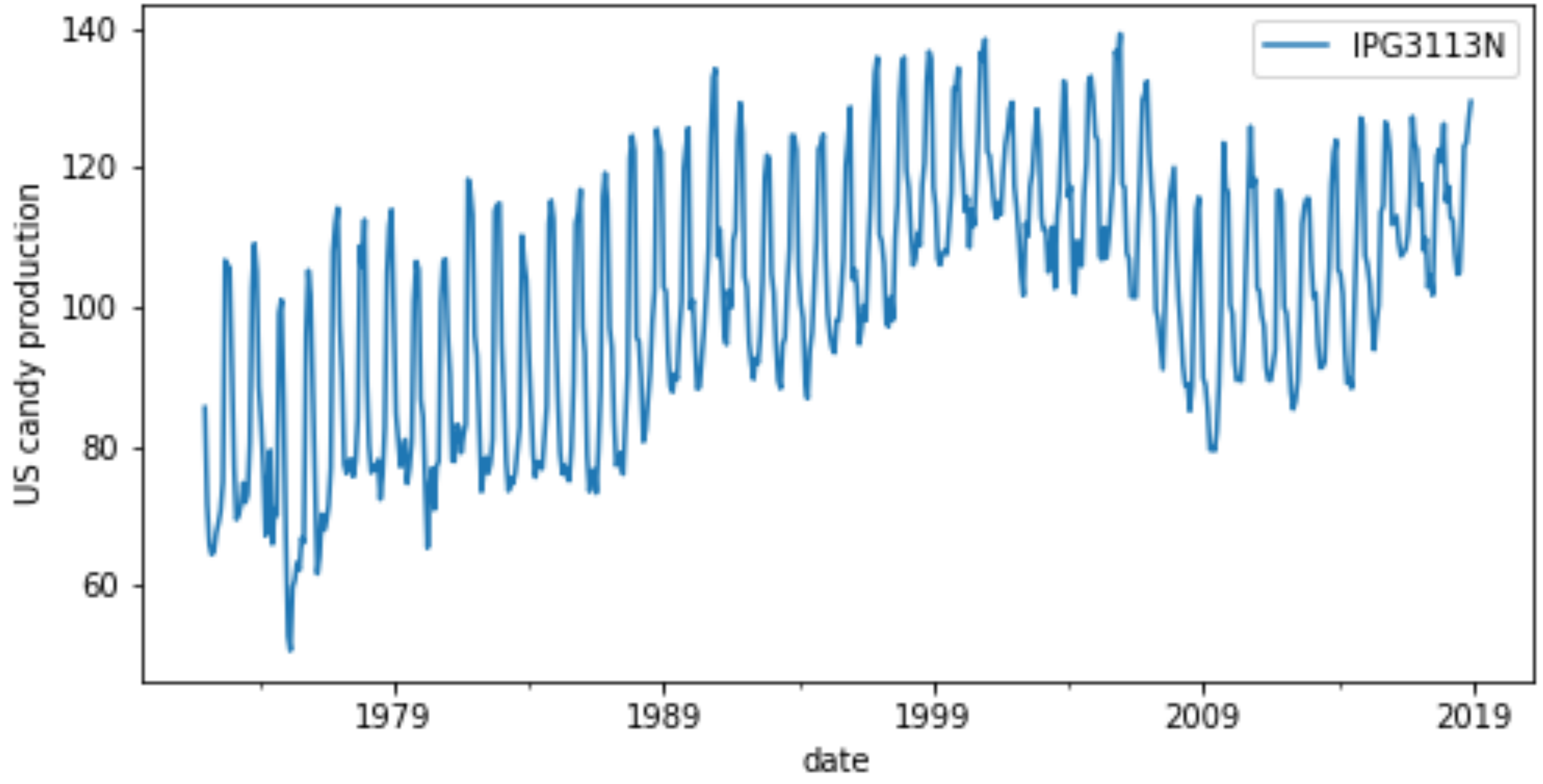
Seasonal data

- Has predictable and repeated patterns
- Repeats after any amount of time

Seasonal decomposition



time series = trend + seasonal + residual

Seasonal decomposition using statsmodels

```python
# Import
from statsmodels.tsa.seasonal import seasonal_decompose
```

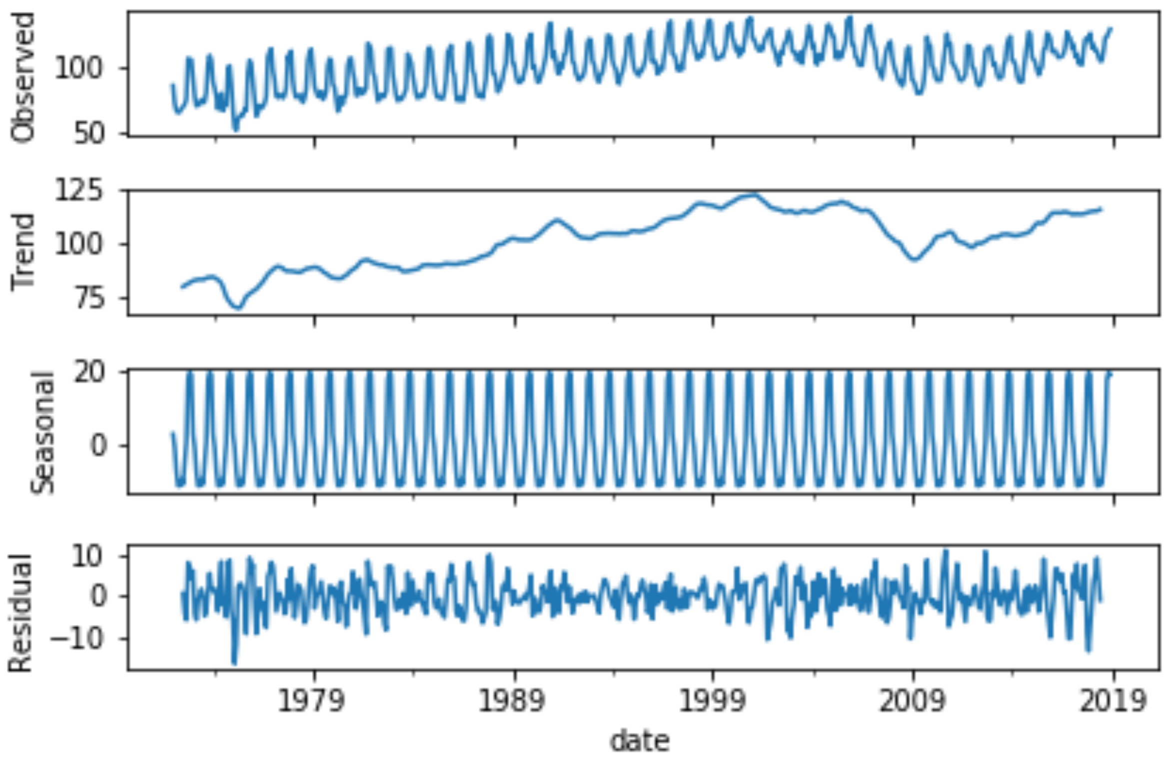
```python
# Decompose data
decomp_results = seasonal_decompose(df['IPG3113N'], period=12)
```

```python
type(decomp_results)
```

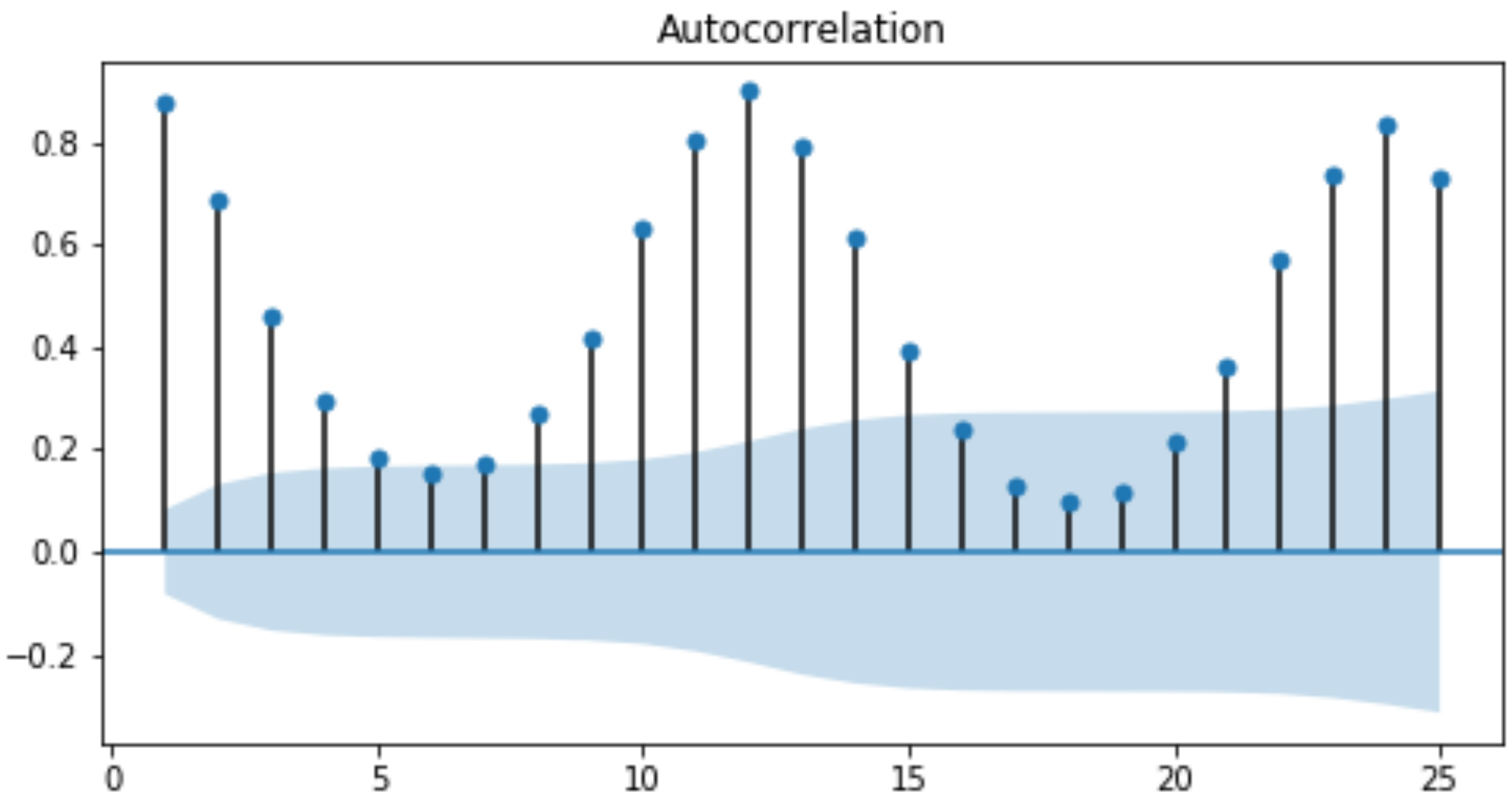
```
statsmodels.tsa.seasonal.DecomposeResult
```

Seasonal decomposition using statsmodels

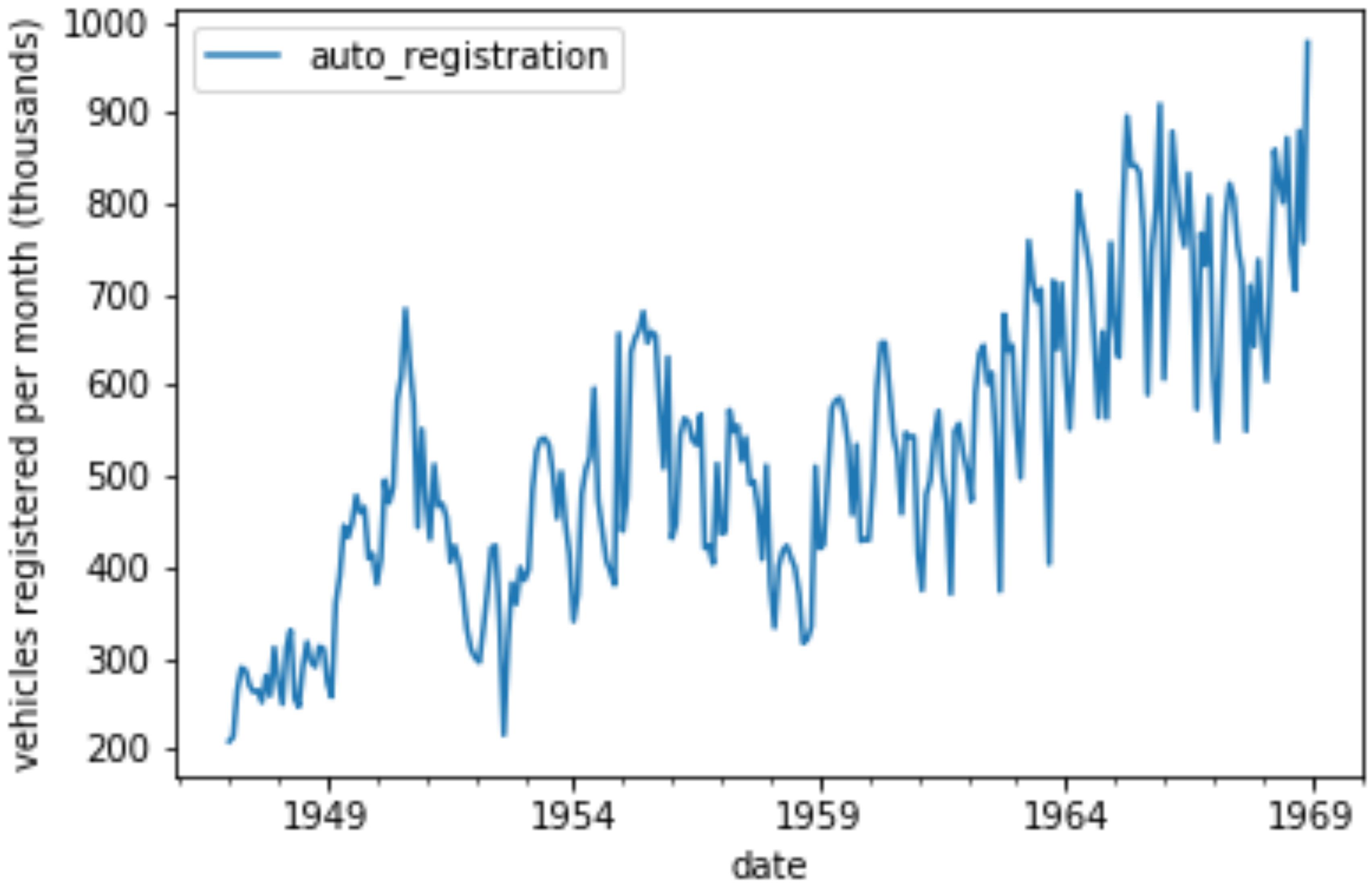
```
# Plot decomposed data
decomp_results.plot()
plt.show()
```



Finding seasonal period using ACF

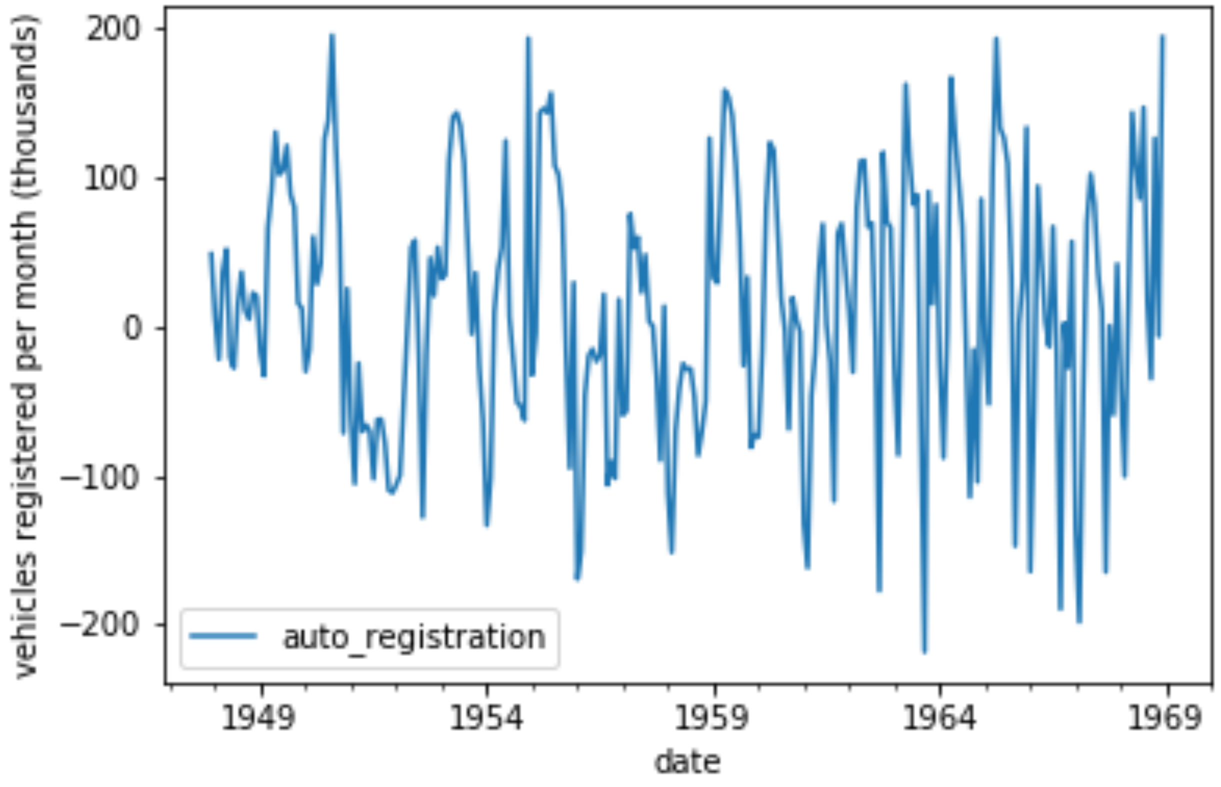


Identifying seasonal data using ACF



Detrending time series

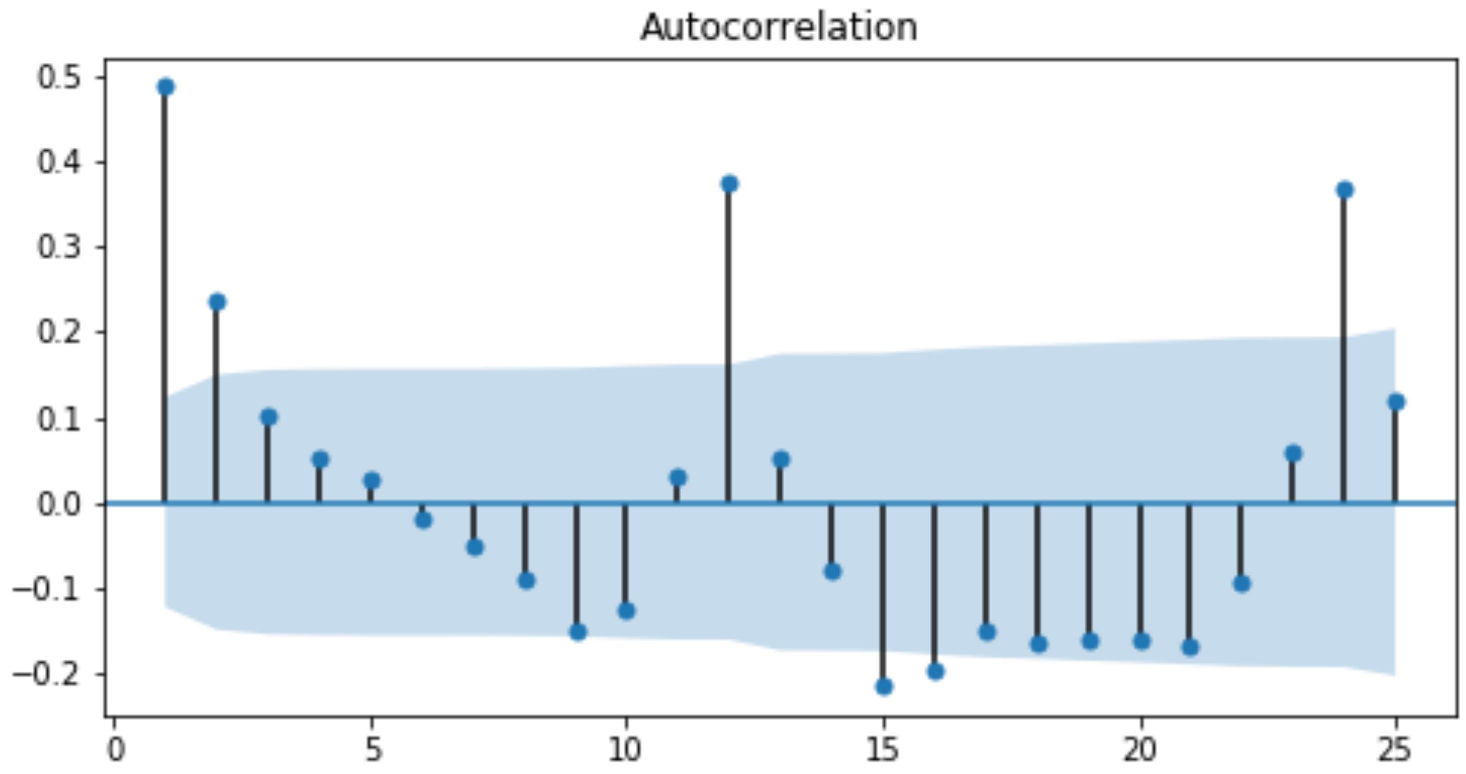
```
# Subtract long rolling average over N steps
df = df - df.rolling(N).mean()
# Drop NaN values
df = df.dropna()
```



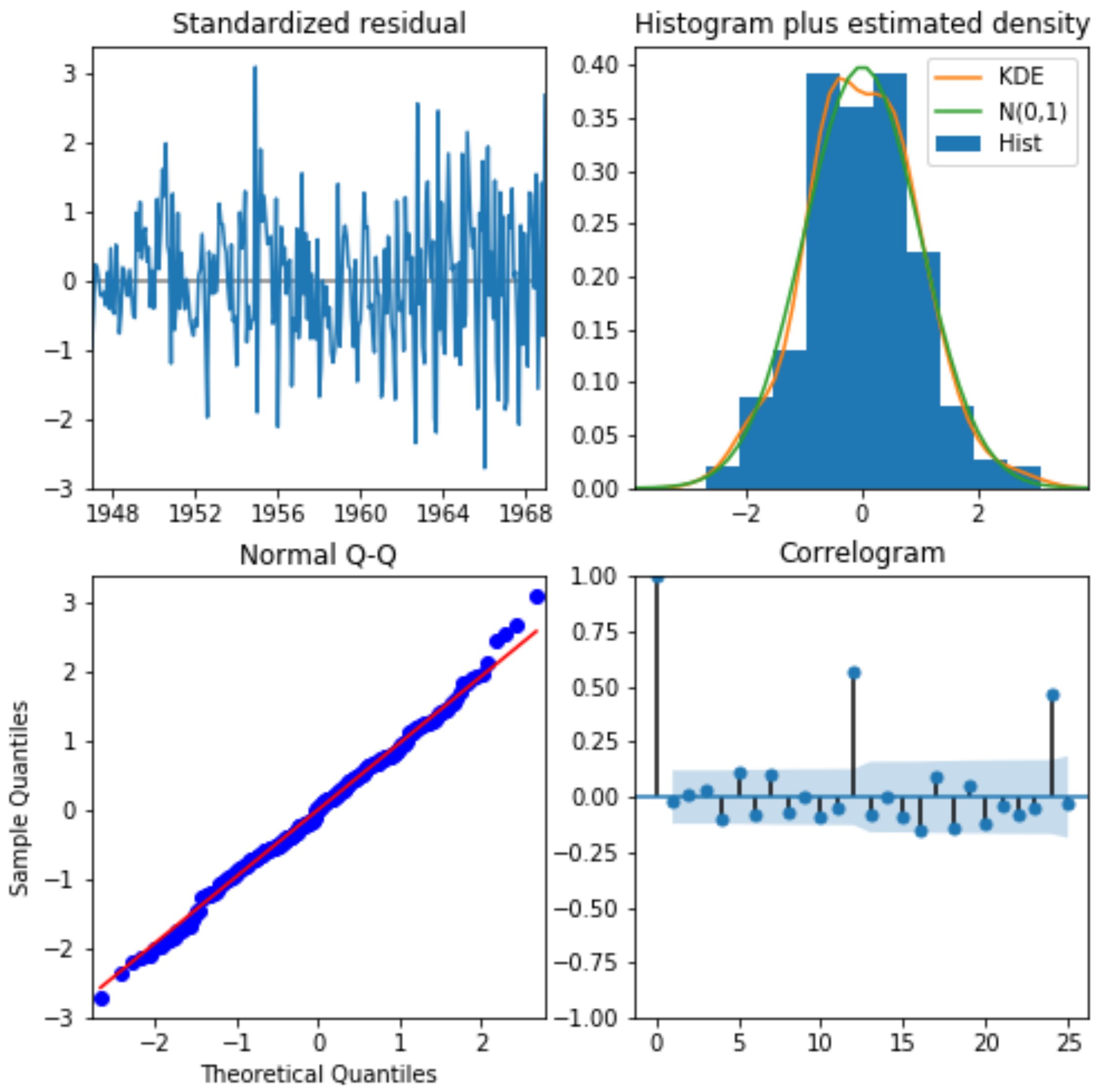
Identifying seasonal data using ACF

```
# Create figure
fig, ax = plt.subplots(1,1, figsize=(8,4))

# Plot ACF
plot_acf(df.dropna(), ax=ax, lags=25, zero=False)
plt.show()
```



ARIMA models and seasonal data



The SARIMA model

Seasonal ARIMA = SARIMA

- Non-seasonal orders
  - p: autoregressive order
  - d: differencing order
  - q: moving average order

SARIMA(p,d,q)(P,D,Q)$_S$

- Seasonal Orders
  - P: seasonal autoregressive order
  - D: seasonal differencing order
  - Q: seasonal moving average order
  - S: number of time steps per cycle

The SARIMA model

ARIMA(2,0,1) model :

$$y_t = a_1 y_{t-1} + a_2 y_{t-2} + m_1 \epsilon_{t-1} + \epsilon_t$$

SARIMA(0,0,0)(2,0,1)$_7$ model:

$$y_t = a_7 y_{t-7} + a_{14} y_{t-14} + m_7 \epsilon_{t-7} + \epsilon_t$$

Fitting a SARIMA model

```python
# Imports
statsmodels.tsa.statespace.sarimax import SARIMAX
# Instantiate model
model = SARIMAX(df, order=(p,d,q), seasonal_order=(P,D,Q,S))
# Fit model
results = model.fit()
```

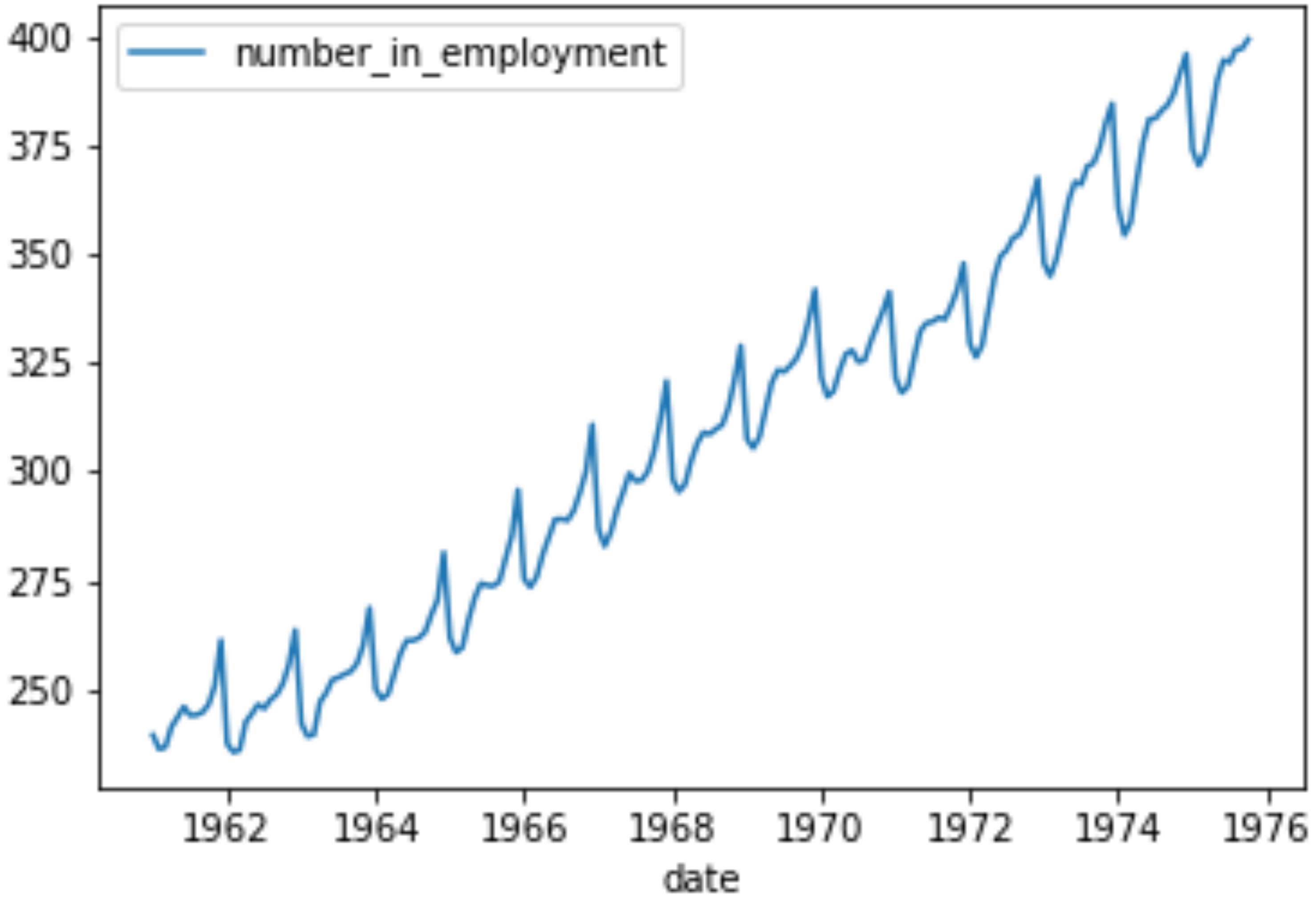
Seasonal differencing

Subtract the time series value of one season ago

$$\Delta y_t = y_t - y_{t-S}$$

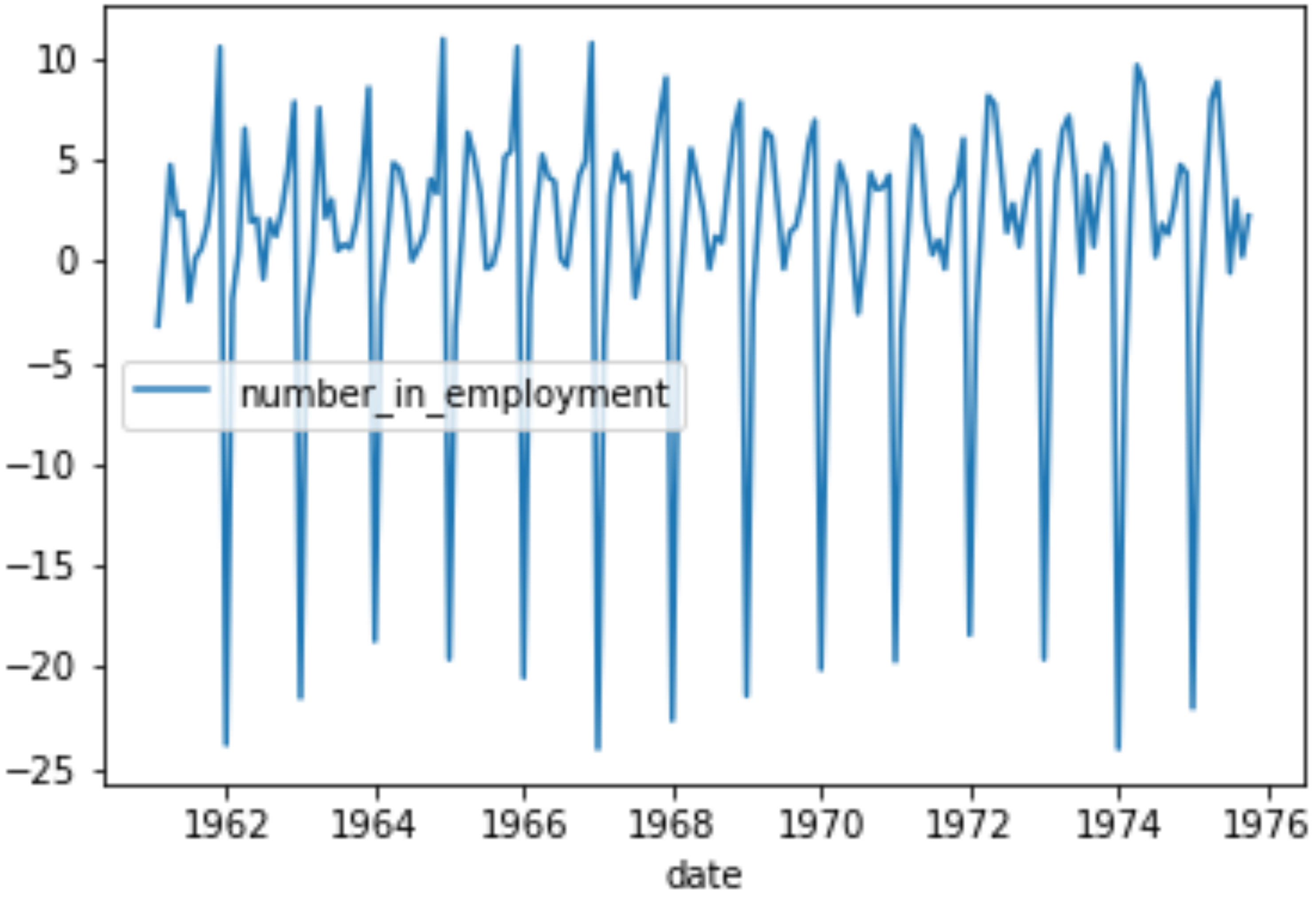
```
# Take the seasonal difference
df_diff = df.diff(S)
```

Differencing for SARIMA models



Time series

Differencing for SARIMA models

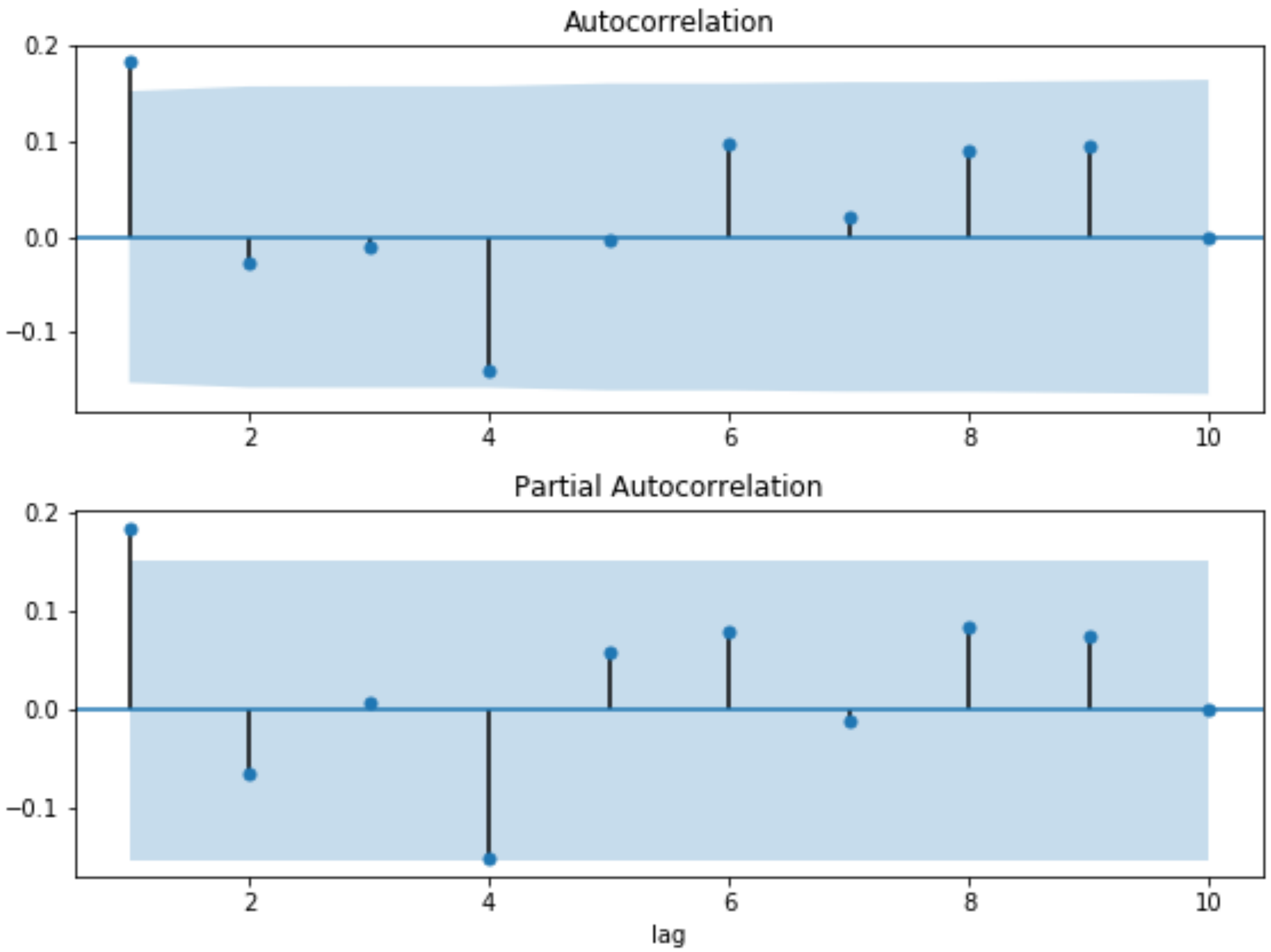


First difference of time series

Differencing for SARIMA models

First difference and first seasonal difference of time series

Finding p and q



Plotting seasonal ACF and PACF

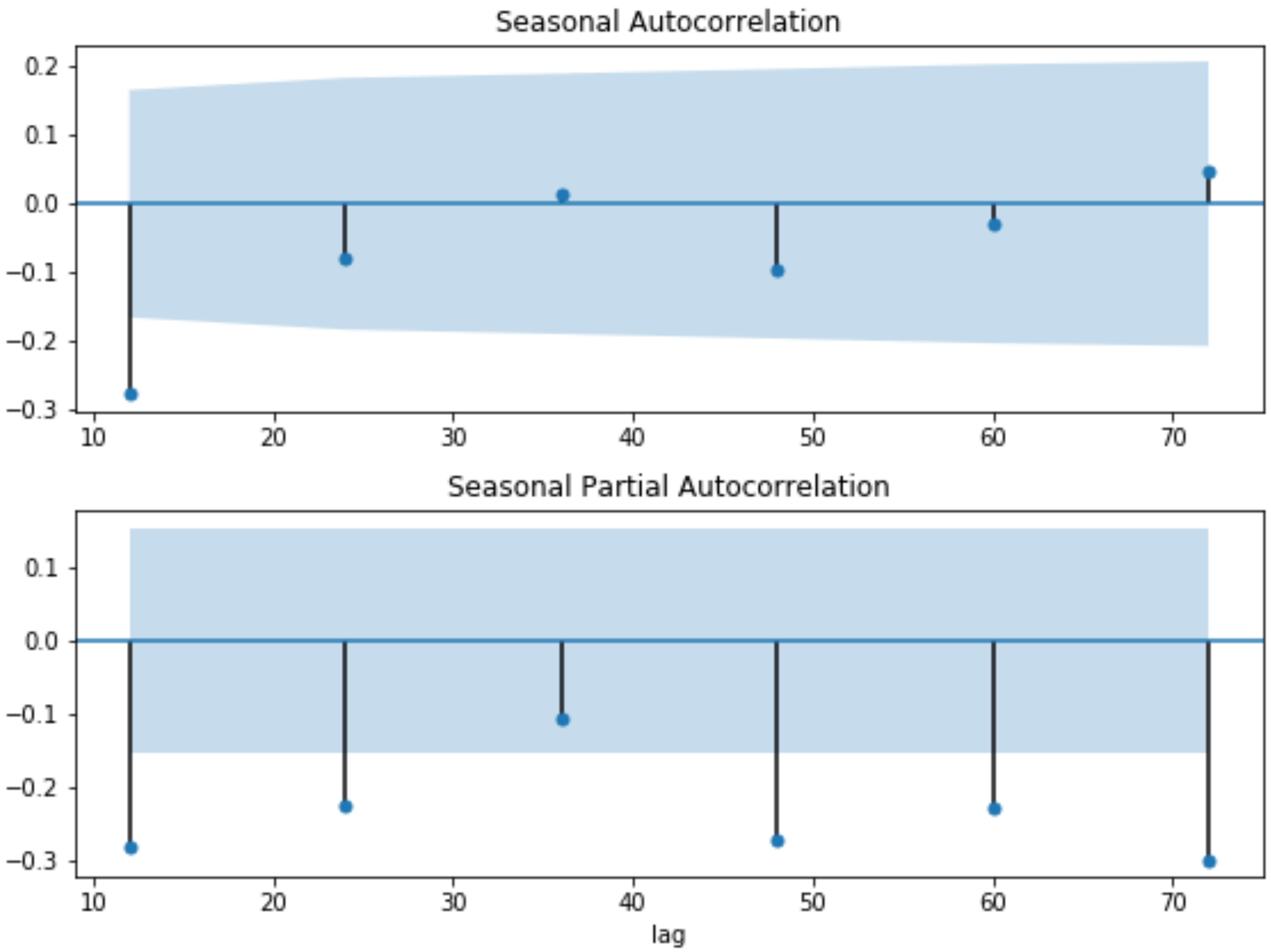
```
# Create figure
fig, (ax1, ax2) = plt.subplots(2,1)

# Plot seasonal ACF
plot_acf(df_diff,  lags=[12,24,36,48,60,72], ax=ax1)

# Plot seasonal PACF
plot_pacf(df_diff, lags=[12,24,36,48,60,72], ax=ax2)

plt.show()
```

Finding P and Q



Searching over model orders

```python
import pmdarima as pm
```

```python
results = pm.auto_arima(df)
```

```
Performing stepwise search to minimize aic
 ARIMA(2,0,2)(1,1,1)[12] intercept   : AIC=inf, Time=3.33 sec
 ARIMA(0,0,0)(0,1,0)[12] intercept   : AIC=2648.467, Time=0.062 sec
 ARIMA(1,0,0)(1,1,0)[12] intercept   : AIC=2279.986, Time=1.171 sec


 ...


 ARIMA(3,0,3)(1,1,1)[12] intercept   : AIC=2173.508, Time=12.487 sec
 ARIMA(3,0,3)(0,1,0)[12] intercept   : AIC=2297.305, Time=2.087 sec

Best model:  ARIMA(3,0,3)(1,1,1)[12]
Total fit time: 245.812 seconds
```

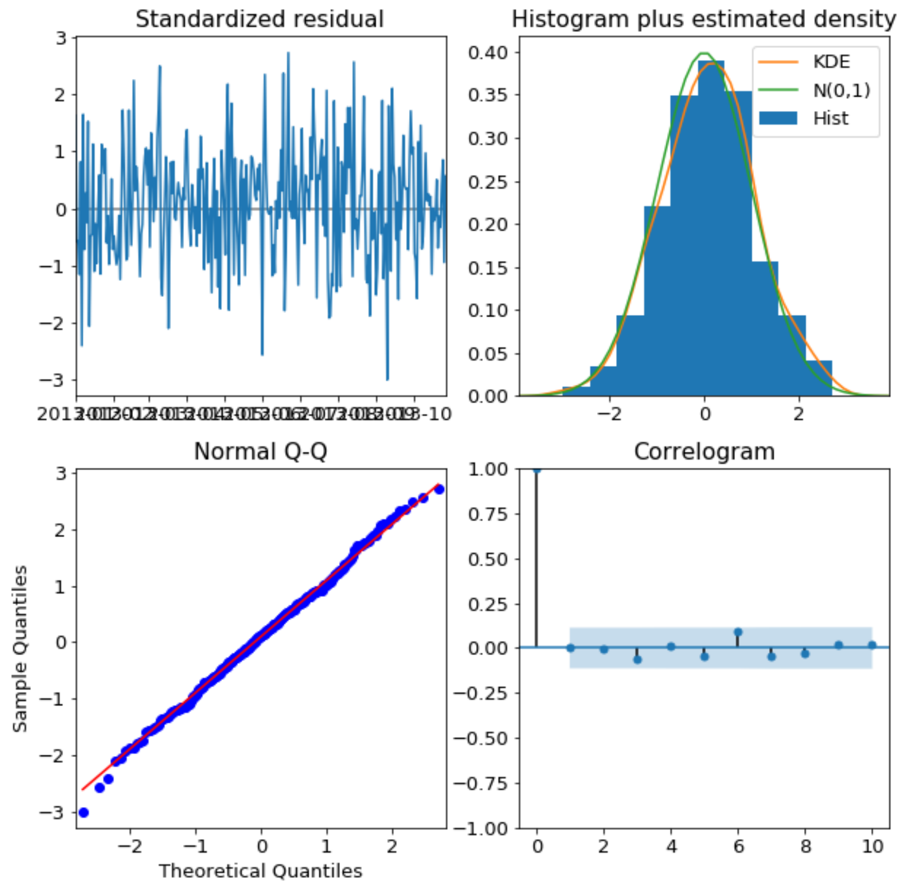
pmdarima results

```python
print(results.summary())
```

```python
results.plot_diagnostics()
```

```
                           Statespace Model Results
==============================================================================
Dep. Variable:                real values   No. Observations:              300
Model:                   SARIMAX(2, 0, 0)   Log Likelihood            -408.078
Date:                    Tue, 28 May 2019   AIC                        822.156
Time:                            15:53:07   BIC                        833.267
Sample:                        01-01-2013   HQIC                       826.603
                             - 10-27-2013
Covariance Type:                      opg
==============================================================================
                 coef    std err          z      P>|z|      [0.025      0.975]
------------------------------------------------------------------------------
ar.L1          0.2189      0.054      4.072      0.000       0.114       0.324
ar.L2          0.1960      0.054      3.626      0.000       0.090       0.302
sigma2         0.8888      0.073     12.160      0.000       0.746       1.032
===================================================================================
Ljung-Box (Q):                       32.10   Jarque-Bera (JB):                 0.02
Prob(Q):                              0.81   Prob(JB):                         0.99
Heteroskedasticity (H):               1.28   Skew:                            -0.02
Prob(H) (two-sided):                  0.21   Kurtosis:                         2.98
===================================================================================

Warnings:
[1] Covariance matrix calculated using the outer product of gradients (complex-step).
```



Non-seasonal search parameters

```
results = pm.auto_arima( df,                    # data
                         d=0,                   # non-seasonal difference order
                         start_p=1,             # initial guess for p
                         start_q=1,             # initial guess for q
                         max_p=3,               # max value of p to test
                         max_q=3,               # max value of q to test
                        )
```

[1] https://www.alkaline-ml.com/pmdarima/modules/generated/pmdarima.arima.auto_arima.html

Seasonal search parameters

```
results = pm.auto_arima( df,                 # data
                         ... ,              # non-seasonal arguments
                         seasonal=True,  # is the time series seasonal
                         m=7,               # the seasonal period
                         D=1,               # seasonal difference order
                         start_P=1,         # initial guess for P
                         start_Q=1,         # initial guess for Q
                         max_P=2,           # max value of P to test
                         max_Q=2,           # max value of Q to test
                        )
```

Other parameters

```
results = pm.auto_arima( df,                         # data
                         ... ,                        # model order parameters
                         information_criterion='aic', # used to select best model
                         trace=True,                  # print results whilst training
                         error_action='ignore',       # ignore orders that don't work
                         stepwise=True,               # apply intelligent order search
                       )
```

Saving model objects

```python
# Import
import joblib
```

```python
# Select a filepath
filepath ='localpath/great_model.pkl'

# Save model to filepath
joblib.dump(model_results_object, filepath)
```

Saving model objects

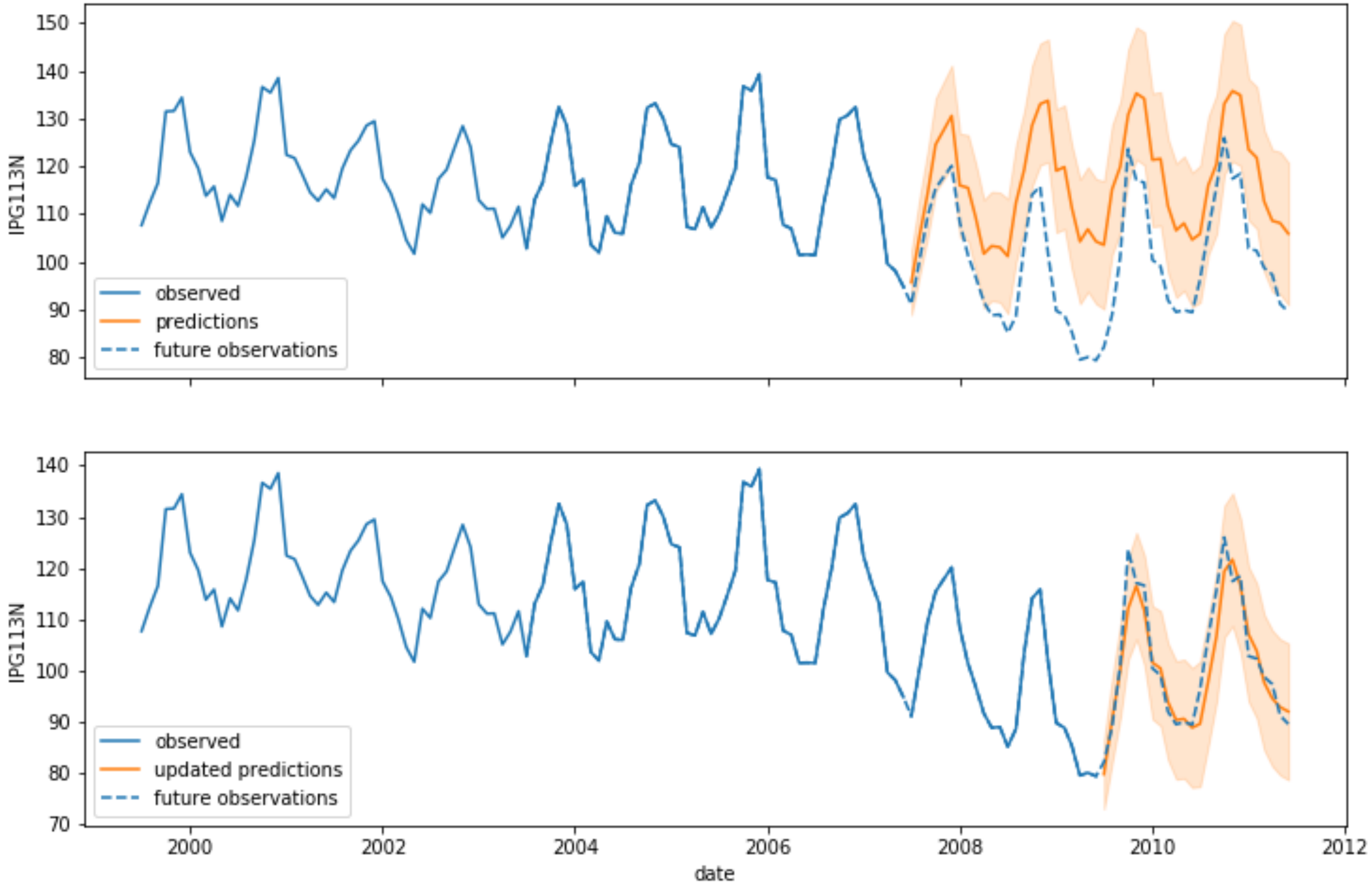
```
# Select a filepath
filepath ='localpath/great_model.pkl'

# Load model object from filepath
model_results_object = joblib.load(filepath)
```

Updating model

```
# Add new observations and update parameters
model_results_object.update(df_new)
```

Update comparison



Let's practice!

ARIMA MODELS IN PYTHON

SARIMA and Box-Jenkins

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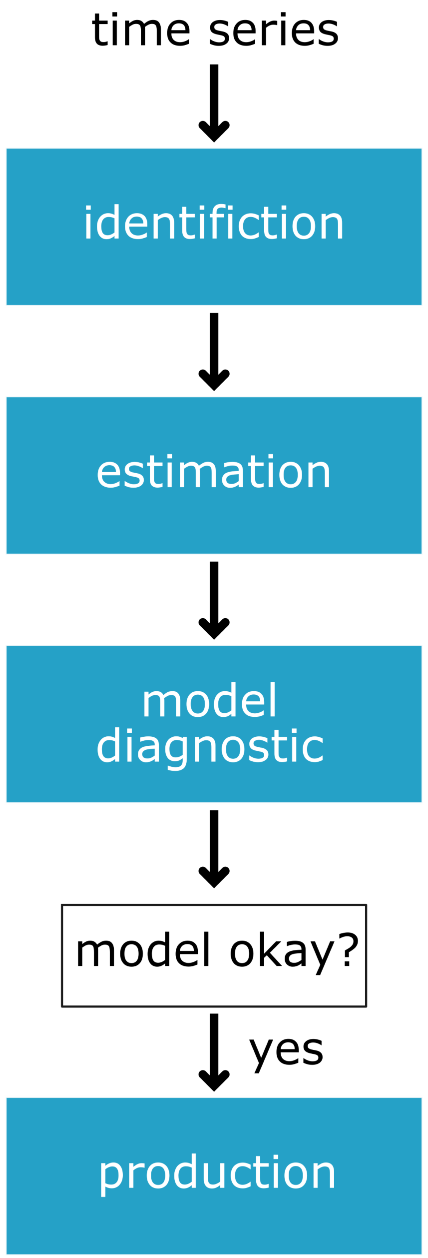
Box-Jenkins

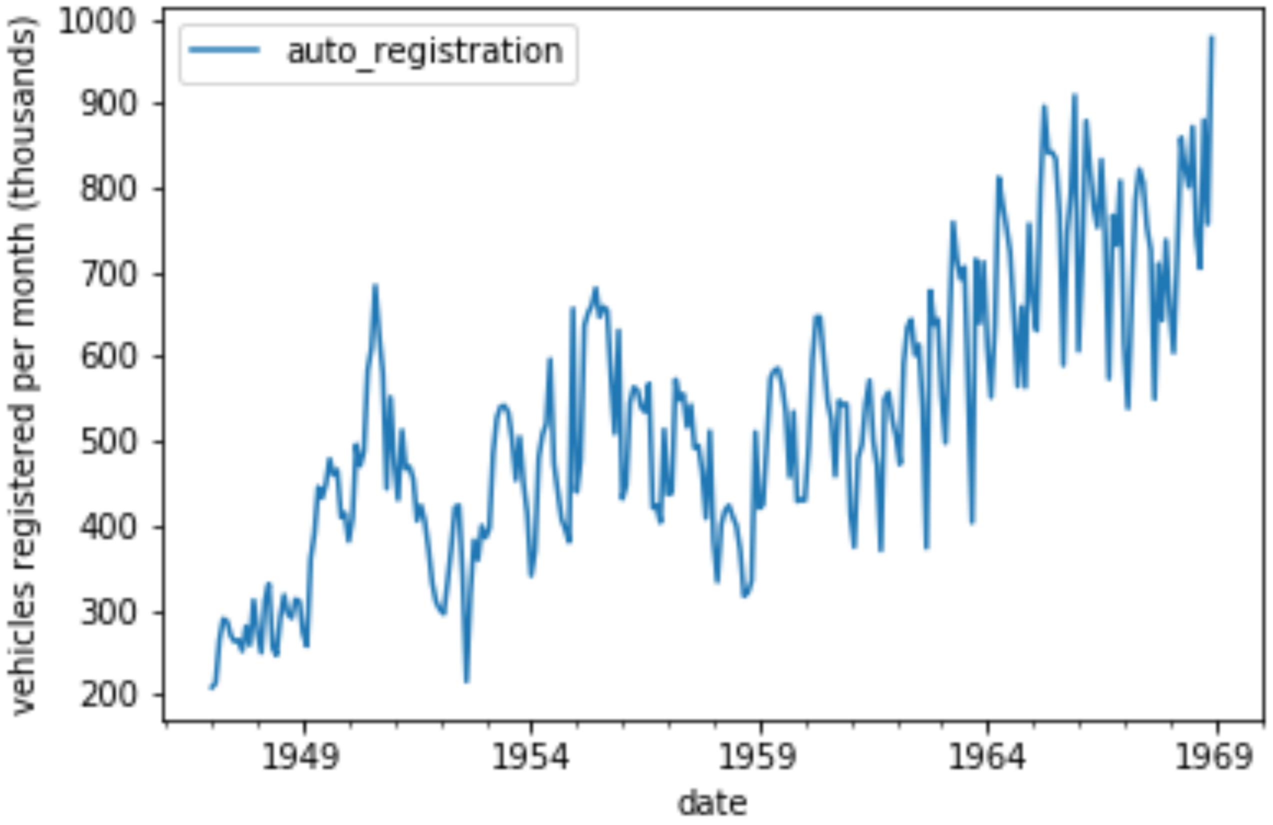

time series
identifiction
estimation
model diagnostic
model okay?
yes
production

Box-Jenkins with seasonal data

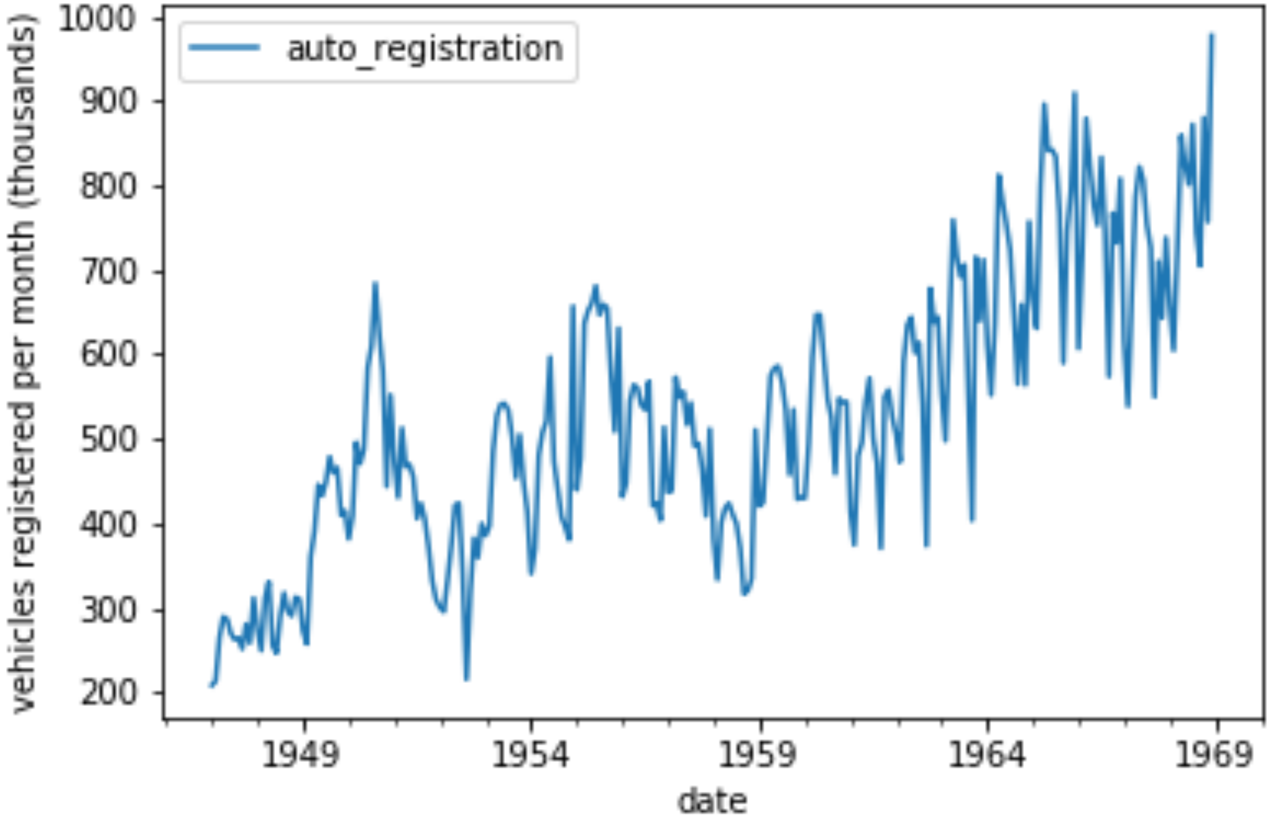
- Determine if time series is seasonal
- Find seasonal period
- Find transforms to make data stationary
  - Seasonal and non-seasonal differencing
  - Other transforms

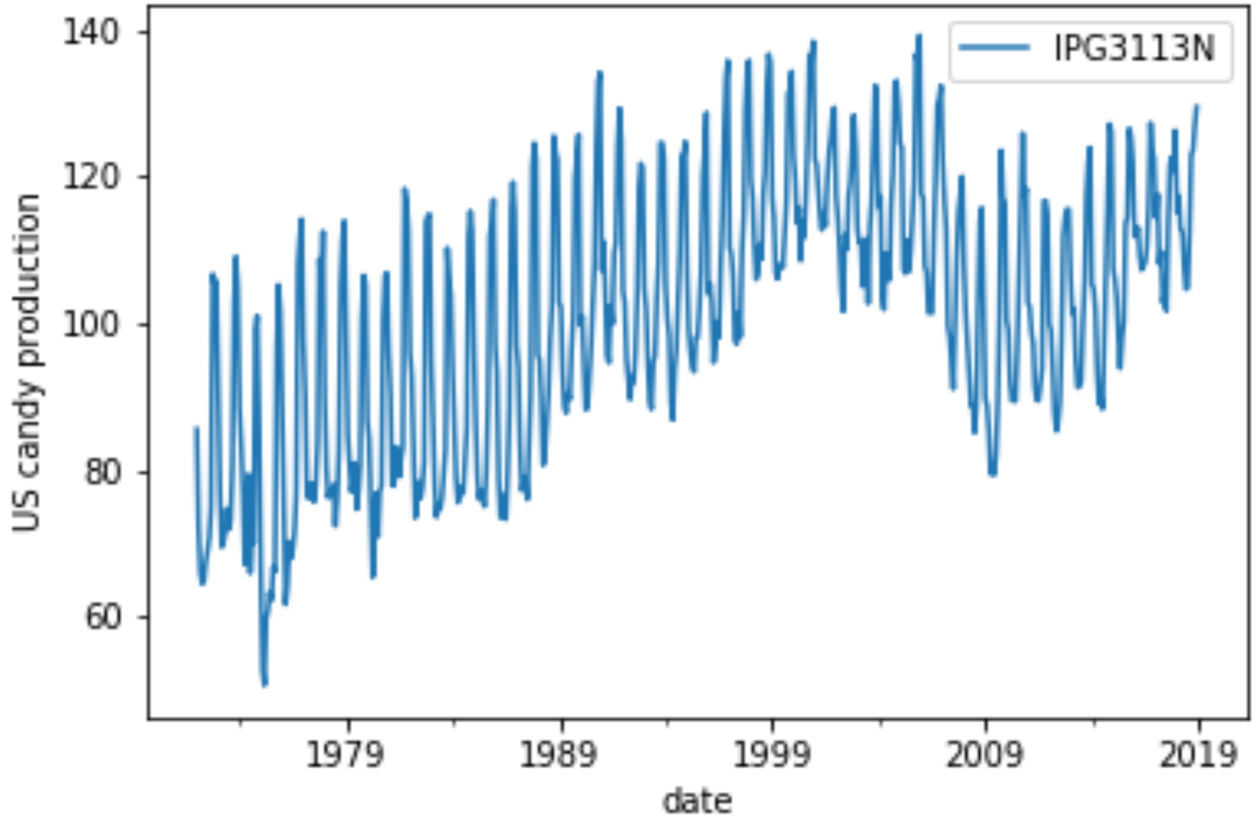
Mixed differencing

- `D` should be 0 or 1
- `d + D` should be 0-2



Weak vs strong seasonality

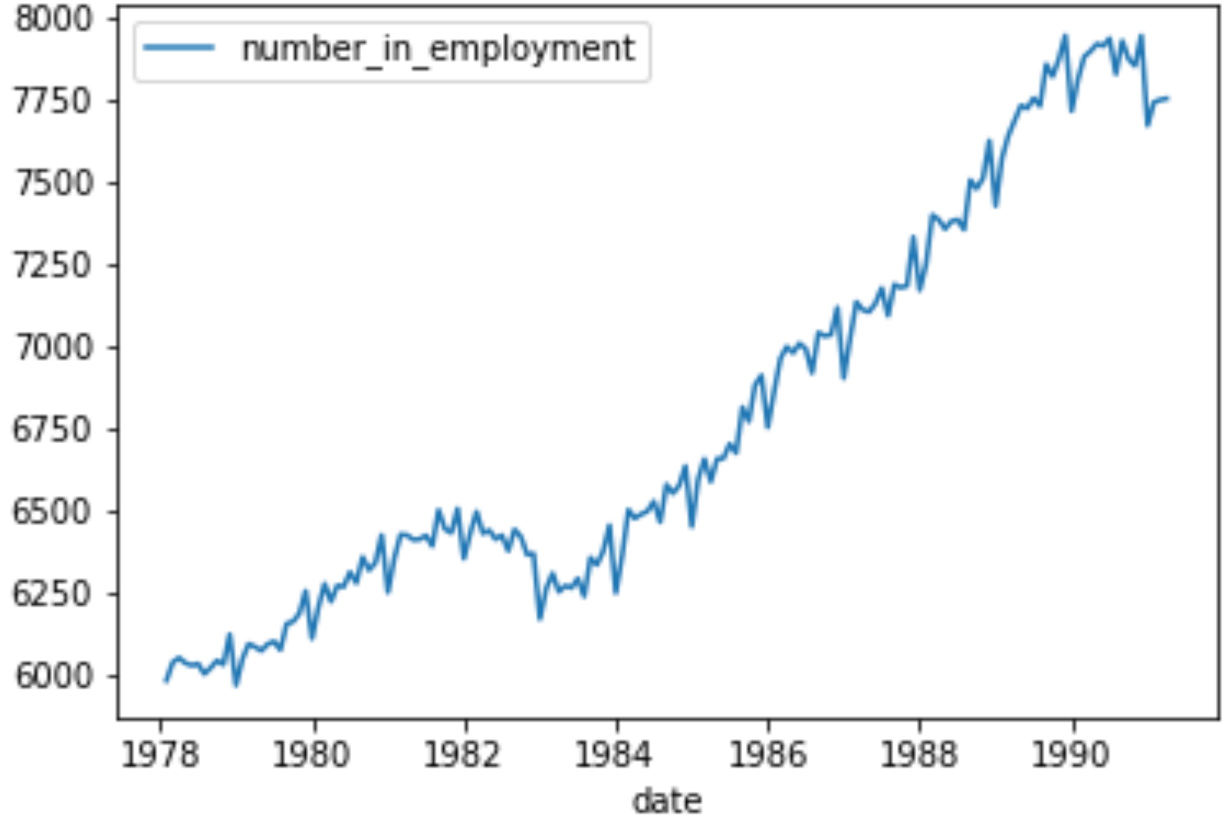


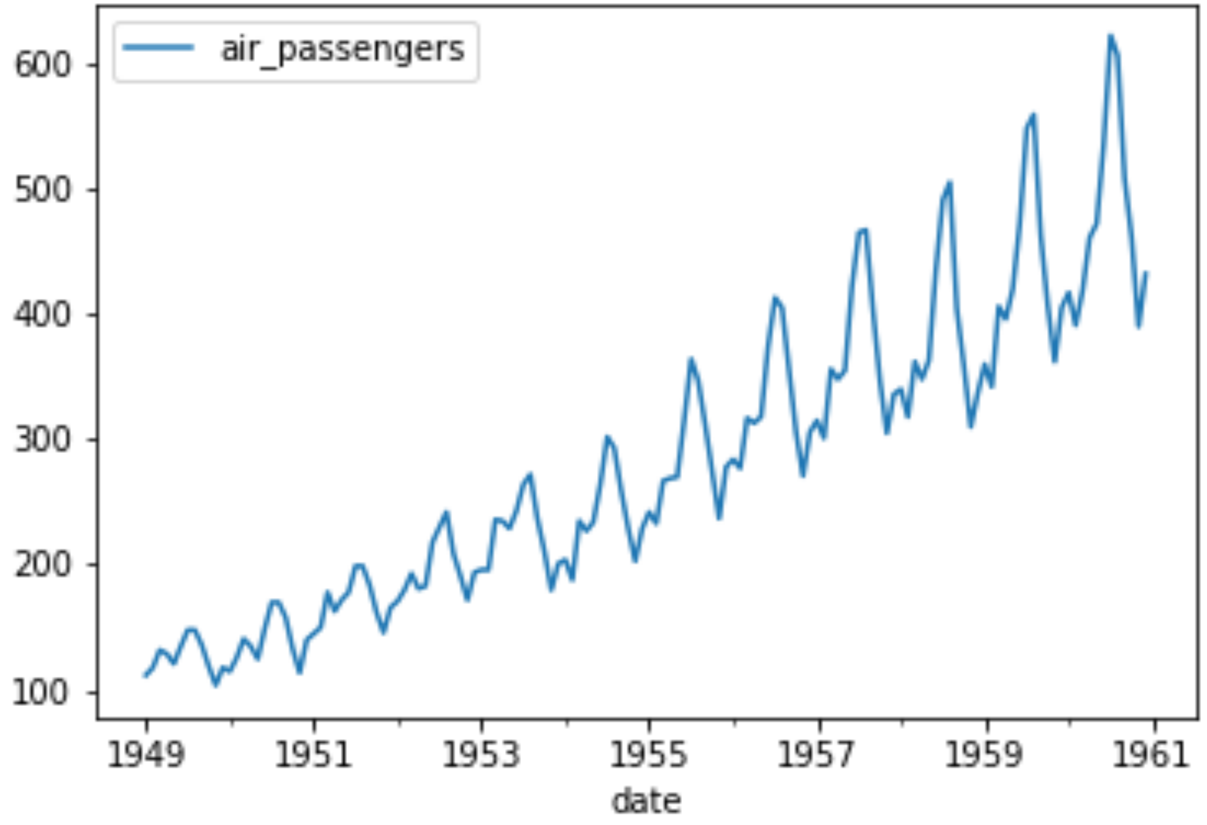


- Weak seasonal pattern
- Use seasonal differencing if necessary

- Strong seasonal pattern
- Always use seasonal differencing

Additive vs multiplicative seasonality

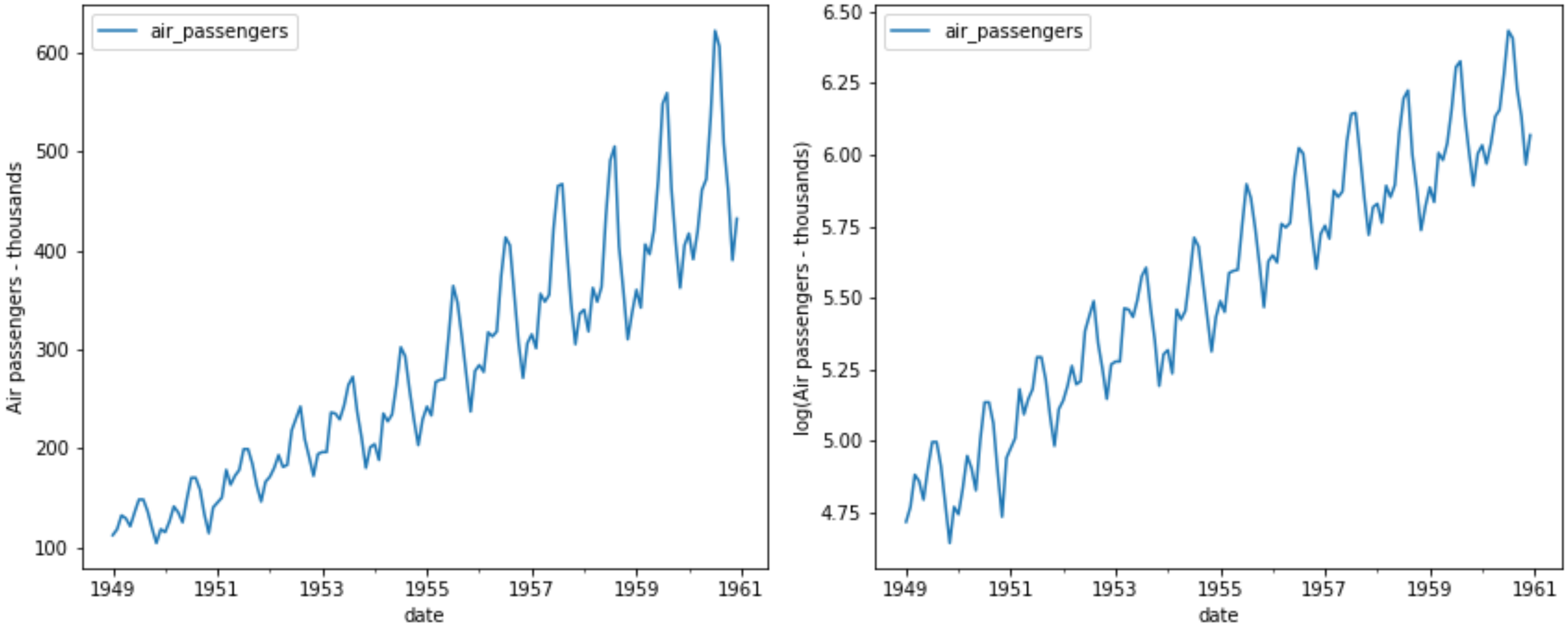




- Additive series = trend + season
- Proceed as usual with differencing

- multiplicative series = trend x season
- Apply log transform first - `np.log`

Multiplicative to additive seasonality



The SARIMAX model

`

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S - seasonal

A
R - autoregressive

I - integrated

M
A - moving average

X - exogenous

Time series modeling framework

- Test for stationarity and seasonality
- Find promising model orders
- Fit models and narrow selection with AIC/BIC
- Perform model diagnostics tests
- Make forecasts
- Save and update models